

DIRECT TO DIRECTORS

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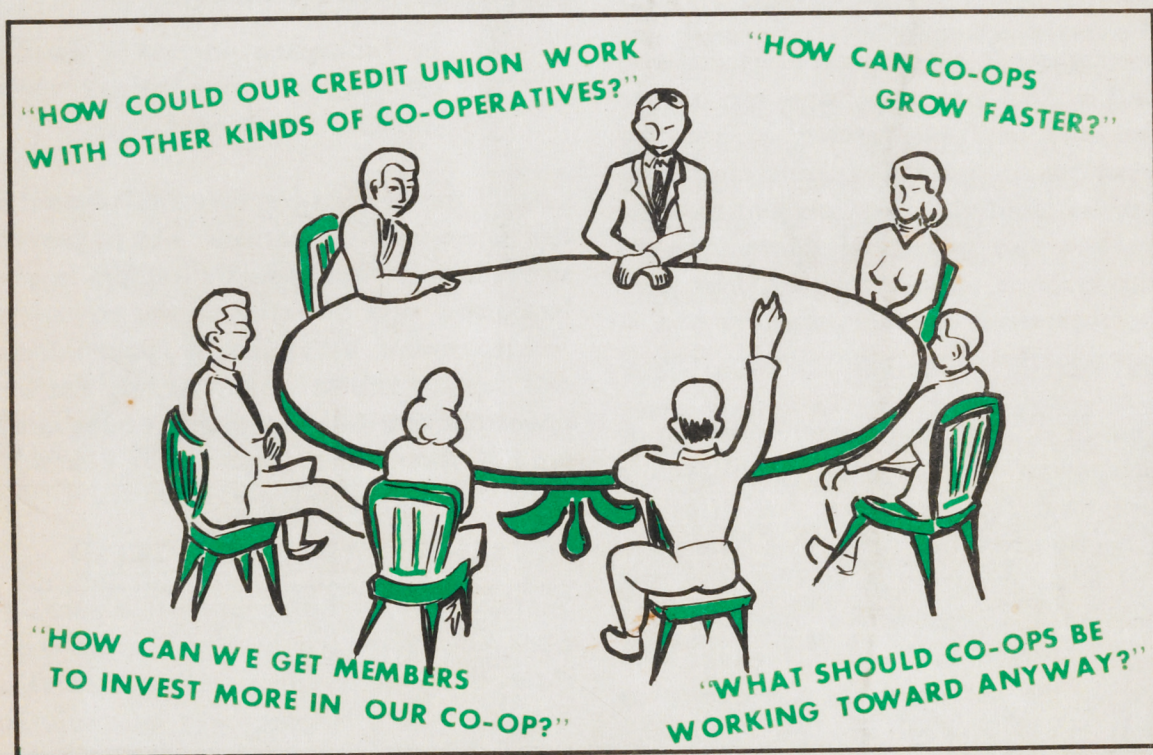
To:

Mr. H. C. Procter,
91 McAdam Ave.,
WINNIPEG 4, Manitoba.

1-A

NOVEMBER, 1956

THE CO-OPERATIVE INSTITUTE AS A TOOL FOR DIRECTORS



The Co-operative Institute was established as an agency to help meet the educational and training needs of the various types of co-operatives. It is starting in a small way by holding short courses for co-operative personnel. It is hoped that the Institute will develop to the point where it will

hold a variety of types of courses, and that eventually the program will include courses that can be recognized for University credits. Thus, the Co-operative Institute is a tool designed to help meet many of the educational needs of local co-operatives.

Two of the ways in which it can be of service to consumer co-operatives are as follows:

1. By providing training for managers and other employees of the local.
2. By organizing and conducting workshops, conferences or courses for directors.

The Co-operative Institute has been functioning for only one year. During that time, its services have been utilized chiefly to conduct management and product courses for personnel of local consumer co-operatives. Few requests have been received for other types of courses. So the program for the coming year will be similar to that of last year.

Six management courses are being offered as well as four petroleum and two lumber courses. In addition, several courses are planned for personnel of Federated Co-operatives Limited. The Co-operative Institute has also assembled information on correspondence courses that might be useful to personnel of co-operatives and is prepared to give advice in regard to them.

The Board of the Co-operative Union of Saskatchewan has recently established a capital fund for permanent facilities for the Co-operative Institute. This fund consists of a contribution of \$4,000 from the International Co-operative Institute and \$6,177 contributed by the trustees who wound up the affairs of the Co-operative Funeral Home in Regina. The establishment of this fund is an encouraging and an important step since a suitable building and other facilities will be needed as the program of the Co-operative Institute develops.

Although the Co-operative Institute is now in active operation, the present set-up

under the direction of the Board of the Co-operative Union of Saskatchewan is on a temporary basis only. The further development and permanent establishment of the Institute will depend to a large degree on the extent to which it is used by the co-operative movement. Co-operative directors can assist in its usefulness and in its growth in several ways:

1. By encouraging and assisting employees of their co-operatives to attend courses being offered.
2. By obtaining reports from the employees when they return from the courses.
3. By encouraging the development of additional types of training through the Institute.
4. By indicating interest in training for the directors and others, where this exists as a need.

One of the reasons for the establishment of the Co-operative Institute was to provide services which would assist directors to give leadership and direction in the co-operative movement. As a director, your interest and support are solicited to help the Co-operative Institute develop to adequately provide those services which are needed.

MEMBERS MUST BE ADVISED!!

Section 26 (a) of the Co-operative Associations Act for the province of Saskatchewan states that when a co-operative association with share capital approves by resolution an application for membership, and same is recorded in the minutes, the applicant shall be notified in writing by the association that his application has been approved. This is a new clause in the Act and it is quite probable that some locals in Saskatchewan are not aware of the new regulations.

In accordance with the requirements of general Company law, the same procedure should be followed by all consumer Co-ops in the province of Manitoba. It is an excellent opportunity for a little extra public relations.

FCL is prepared to assist all locals by making available, at a nominal cost, a "membership card". This card is designed to serve a dual purpose in that it acknowledges the approval of the membership application by the board and, as well, may be retained by the member as a numbered membership card.

Your local manager has all the details. We suggest that this item be placed on the agenda for discussion at your next board meeting.

CAPITAL STRUCTURE-- FEDERATED CO-OPERATIVES LIMITED

Outline of a plan to be presented
at the 28th Annual Meeting of FCL
- January 15, 16 and 17, 1957

(NOTE: The following recommendations were presented at each of the 15 FCL District Meetings held recently. It is reprinted here for your information).

A new plan of capital structure has been recommended for co-operatives in Saskatchewan, and the plan was approved in principle at the last annual meeting of the Co-operative Union of Saskatchewan. An

outline of the plan, written by L. L. Lloyd, Second Vice-President of FCL, appeared on Page 3 of the September issue of the Co-operative Consumer.

In brief, the plan proposes that all earnings, when declared and allocated by the Board, be placed in one equity account known as Share Capital Account, and all the payments made to members be charged against this account. The plan has the merit of being very simple and more readily understood by co-operative members.

Some co-operative associations have already adopted the plan, and have taken advantage of the authority given in the Co-operative Associations Act to - by bylaw - convert to share capital existing outstanding deferred dividends and patronage loans so that they might immediately start their next fiscal year with only one membership equity account. The Board of Directors and staff of Federated have been studying this plan for some time, with a view to analyzing its application to Federated's capital structure.

After study, the Board of Directors are recommending to the forthcoming Annual Meeting that the theory of the plan be applied to Federated's capital structure, with the difference that outstanding patronage loans be left to "run their currency" rather than to convert such outstanding indebtedness into the share capital account.

The Board are therefore recommending to the Annual Meeting a proposal whereby future earnings would all be allocated to share capital and after the present patronage loans have been retired, the organization would, by bylaw, authorize the Board of Directors to pay out to its member co-operatives each year, 10% of the equity of each member as a cash payment. In other

words, instead of paying out two thirds of the retained savings on a seven-year revolving basis, the central organization would pay out 10% of the total equity of each co-operative each year. In effect, paying out two thirds of the earnings on a seven-year revolving basis has meant that the central organization has paid out something over 9% of the total equity of each member each year. The new proposal will provide that a larger percentage of Federated's earnings each year, will be paid to its member co-operatives.

The Board of Directors therefore propose to introduce a bylaw at the forthcoming annual meeting, which will have the following effect:

- (a) All earnings of the central organization, including the earnings for the fiscal period ending October 31, 1957, be placed in the share capital account.
- (b) The present patronage loans be retired in their order of maturity.
- (c) Then when all present patronage loans have been retired, 10% of each member's equity will be paid out to that member as at August 1st of each year.

Paying Out Present Patronage Loans

Certificates #13 to #19, totalling approximately \$6,600,000, will be outstanding at the end of the year. The amounts of these certificates vary from \$372,000 normally due in July, 1957, to \$1,313,000, normally due in July, 1960. The Board proposes to seek authority at the forthcoming Annual Meeting, to average the outstanding patronage loans, and pay out to each member co-operative in each of the succeeding seven years, the average amount due to that co-operative. This will mean

that Federated will propose to pay out in cash in each of the succeeding seven years approximately \$930,000. It will mean, on the average, that member co-operatives will receive more than was normally due in July, 1957 and 1958. The recommendation, however, would provide that no member of Federated would receive less in any one year than its accumulated total under the present bylaw.

NOW AVAILABLE --

GUIDE MANUAL OF PERSONNEL POLICIES FOR LOCAL CO-OPERATIVES

With the growth of the co-operative movement, bringing with it larger associations employing greater numbers of people, the need for attention to personnel policies is becoming equally important to that of the need for efficient operational policies. It is a fact that development of personnel policy programs has not in the past received the same careful attention as has other phases of the associations' operations. Yet, employee loyalty and support have contributed in a very large measure to the development and growth of the movement.

Dependence upon employee goodwill is being recognized by organizations and business firms of all kinds. Co-operatives by the very nature of their organization and philosophy should be leaders in developing personnel policy programs.

With this in mind, the policy guide manual has been prepared and is being made available to co-operatives.

Copies of the guide manual and more information are available from your FCL District Representative. Please contact him or, if you wish, you may write direct to the Locals' Personnel Director, Federated Co-operatives Limited, Saskatoon, Saskatchewan.